



April 30, 2004

Communications Division
Public Information Room
Mailstop 1-5
Office of the Comptroller of the Currency
250 E Street, S.W.
Washington, D.C. 20219
Docket No. 04-06

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Docket No. R-1181

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
Attention: Docket No. 2004-04

Re: Notice of proposed rulemaking Community Reinvestment Act
Regulations 69 Fed. Reg. 5729 (February 6, 2004)

Dear **Sir** or Madam.

Fannie Mae welcomes the opportunity to comment on the joint notice of proposed rulemaking (NPR) regarding the Community Reinvestment Act ("CRA") regulations issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (collectively the "Agencies").

Fannie Mae is a congressionally chartered, shareholder-owned company whose sole business is to support residential housing by making a market in residential loans for both

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single family and multifamily mortgages. Fannie Mae is both the largest American investor in mortgages, and a major issuer of mortgage-backed securities secured by properties for low-, moderate-, and middle-income families. By statute, Fannie Mae is required to take affirmative steps to help insured depository institutions meeting their CRA obligations. 12 U.S.C. 4565(3)(B). In furtherance of this obligation and our affordable housing mission, Fannie Mae conducts a significant amount of affordable housing business with financial institutions covered by the CRA.

Based on our experience working with primary market lenders, we believe the Agencies have the opportunity to increase the effectiveness of CRA through this rulemaking. We urge the Agencies to consider changes to both the regulations and examination guidance that would more explicitly reward lender innovation and special efforts, especially in low- and moderate-income communities with unique challenges. Such changes would be consistent with the spirit of the CRA and would encourage further progress in meeting the toughest housing needs in communities across the country.

We have heard from many of our partners that the current regulations and examination process do not appropriately recognize CRA-eligible activities that require more time and effort. Building in greater recognition of this extra effort makes sense to us **as** a way to encourage innovation and effort. The examination process could benefit from a mechanism that augments quantitative CRA measures with extra recognition for the qualitative contributions of institutions. In giving increased recognition to the qualitative measures of the CRA examination process, the Agencies need not abandon the certainty and clarity that comes with a quantitative review.

In many instances, the critical needs of a community can be met only with innovative solutions that require significant time and resource commitments by lenders, and will not deliver high volumes of loans or investments. Examples that illustrate this point include housing for people with special needs, developing community-by-community solutions to leverage public funds earmarked to improve the affordability of homeownership, and programs to help the victims of predatory lending. The heavy focus on volume in CRA, with uncertain consideration for “innovative and flexible” activities may be a deterrent for financial institutions to focus the much needed time and attention on these transactions.

Conventional mortgage lending to Native Americans on tribal lands is another excellent example of an innovation that demands a high level of commitment and effort, but does not have a high-volume payoff. Native American tribes operate **as** sovereign entities, the land is held in trust by the **U.S.** Government, and the land cannot be transferred out of tribal control. Lenders working with tribal officials have spent considerable resources developing the financial and legal infrastructure necessary to support mortgage lending on tribal lands. Our experience demonstrates that real progress is being made **as** a direct result of the commitment and effort that was invested by lending institutions.

In addition, we encourage the Agencies to recognize the “shelf life” of innovation. Institutions invest considerable intellectual capital and time to develop creative financing

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structures in order to expand the tools available to them to address the specific needs of a community. In meeting the needs of a particular community, the right tool that the institution will need to draw on may be a tool that has been used before. Notwithstanding the fact that a familiar tool is used, the institution must invest a considerable amount of effort to meet the need of the community. It is critical that the CRA regime continue to encourage institutions to invest this additional effort.

CRA has encouraged financial institutions to make many positive contributions in expanding the availability of credit, investment and services to low- and moderate-income borrowers and communities. Changes to the current CRA structure should build upon these contributions by increasing competition, fostering innovation, and expanding affordable housing opportunities consistent with the spirit of CRA.

Sincerely,

A handwritten signature in black ink, reading "Anthony J. Marra". The signature is written in a cursive style with a large, stylized initial 'A'.